

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
COMMUNITY CHARTER SCHOOL  
OF PATERSON, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**JUNE 30, 2010**  
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# Community Charter School of Paterson

September 24, 2010

Commissioner  
New Jersey Department of Education  
100 Riverview Executive Plaza  
CN 500  
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the Community Charter School of Paterson for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** Community Charter School of Paterson constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

Community Charter School of Paterson received approval of its charter school application in January of 2007. The school was founded by New Jersey Community Development Corporation (NJCDC) along with a group of committed parents and community members. NJCDC is a non-profit community development and social service agency based in Paterson with a deep commitment to education and positive youth development.

The school was granted a planning year, during which a great deal of work occurred to prepare for the school's opening. On August 14, 2008, the school's charter was granted by the New Jersey Commissioner of Education. The school opened its doors on September 3, 2008 with an enrollment of 359 children in grades K-3 – 100 in Kindergarten, 100 in first grade, 84 in second grade, and 75 in third grade. The school opened in its own new building, a 34,000 square foot former industrial building in Paterson's Great Falls Historic District. The building provides outstanding educational space with a host of features to promote student success. The overarching mission of CCSP is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

The Charter School has completed its second year of implementation. By the end of the 2009-2010 school-year, CCSP had a student enrollment of 485 as follows:

- Kindergarten – 100 students
- First Grade – 100 students
- Second Grade – 98 students
- Third Grade – 99 students
- Fourth Grade – 88 students

The decrease in the total number of students was a result of 12 mid-year transfers.

2) **ENROLLMENT OUTLOOK:** Community Charter School of Paterson Enrollment for the upcoming 2010-2011 school year is as follows:

- Kindergarten – 100 students
- First Grade – 100 students
- Second Grade – 100 students
- Third Grade – 100 students
- Fourth Grade – 97 students

In addition to the students who are enrolled, the following number of students are on waiting lists for the upcoming 2010-2011 school year:

- Kindergarten – 189 students
- First Grade – 80 students
- Second Grade – 32 students
- Third Grade – 30 students
- Fourth Grade – 0 students

The school has a diverse student population reflective of the community at-large:

- Kindergarten: African American (47%); Latino (50%); Other (3%)
- First Grade: African American (51%); Latino (48%); Other (1%)
- Second Grade: African American (45%); Latino (51%); Other (4%)
- Third Grade: African American (61%); Latino (38%); Other (1%)
- Fourth Grade: African American (72%); Latino (27%); Other (1%)

### 3) **MAJOR ACCOMPLISHMENTS** –

#### **Assessment and Instruction**

CCSP begins its assessment schedule with TerraNova exams in grades K-4. Benchmark assessments are then administered throughout the year at every grade level in order to track skill mastery, identify intervention strategies and modify instruction. All students re-take TerraNova exams at the end of year, and all third and fourth grade students take the NJ ASK.

CCSP responded to the challenges presented by the 2009 NJ ASK performance results by developing supplemental programs in Language Arts and Math, as well as deepening professional development initiatives. Specifically, CCSP developed a Saturday NJASK Prep Program for all students. This program ran from March through May of 2010 and provided all students with additional core skills instruction. CCSP also developed a targeted after-school program that served to both re-teach concepts as well as deepen existing understanding of content knowledge.

#### **Character Traits Development**

Throughout the 2009-2010 School Year CCSP was very fortunate to have a group of dedicated AmeriCorps Members who worked closely with the Community Outreach Coordinator, Family Worker, Social Worker, and grade level teachers to create a character/social development curriculum for grades K-3 and a Leadership Academy for grade 4.

- The K-3 character/social development workshops were conducted once a week for each grade level following lunch and as an alternative to recess on days of inclement weather. Workshops lasted 40 minutes and focused on the six pillars of the school: Excellence, Integrity, Respect, Self- Esteem, Success, and Partnership/Teamwork.
- The 4<sup>th</sup> Grade Leadership Academy was created to help better prepare students to transition out of CCSP and back into the Paterson Public School System upon completion of 4<sup>th</sup> grade, equipped with a toolkit of transferable real-life skills. The seven part workshop series included topics such as Time Management, Hygiene Awareness, Leadership, Conflict Resolution, Peer Pressure, Public Speaking, and Classroom Etiquette. Upon successful completion of the Academy, students received certificates in classroom ceremonies.

In addition to the character, social, and leadership development workshops, the school celebrated the successes of students who demonstrated these qualities by displaying their names on “The Wall of Respect” in the school cafeteria and used discipline challenges as a teachable moment by having students complete problem solving sheets correlating to poor choices.

One of the highlights of the year was a visit from NFL player David Tyree. Mr. Tyree met with third and fourth grade students to talk with them about the importance of making good choices and understanding the impact of the choices they make. He shared his own life’s story to illustrate and emphasize his points. We seized this opportunity to use a well-known messenger to share an important message.

### **Active Participation of Parents**

CCSP believes that the education of children is a joint responsibility shared by the school and parents/guardians. To ensure that the best interests of the children are served in this process, a strong program of communication between home and school must be maintained and parental involvement in school concerns encouraged.

- ***Parents are a part of school governance.*** Of the seven voting members of CCSP’s Board of Trustees, two are parents and actively help shape the direction of the school.
- ***Parents are engaged through Special Events.*** These family engagement events were held at least monthly and were used to encourage parents’ ownership of the school as an extension of their own home. (Please see part 4 of this report for a detailed description of events and activities.)
- ***Parents attend workshops to support their work as parents.*** Understanding that raising children and managing a household can be demanding on families, the Community Charter School of Paterson is committed to empowering our students and families with opportunities to successfully shape and transform their lives. After polling parents about workshops that would provide strategies to help alleviate some of the strains of everyday life, we hosted seven Saturday workshops that met during the Saturday NJASK test prep program at the school. The workshop series was open to all CCSP parents and known as “CCSP Parent University”.

- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the School also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable

laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School management.

As part of the School’s single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the School has complied with applicable laws and regulations.

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2010.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2010.

Revenue	Amount	Percent of Total
Local Sources	\$615,546	8%
State Sources	5,749,930	78%
Other Sources	101,946	1%
Federal Source	721,307	10%
Enterprise Fund	<u>226,884</u>	<u>3%</u>
	<u>\$ 7,415,613</u>	100%

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2010.

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>
Current Expense	\$5,031,457	82%
Capital Outlay	177,419	16%
Special Revenue	721,307	1%
Enterprise Fund	<u>227,379</u>	<u>1%</u>
	<u>\$ 6,157,562</u>	100%

- 8) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The School carries various forms of insurance, including, but not limited to, general liability, fire and theft insurance on property and contents. The School also has student insurance coverage.
- 10) **OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by independent Certified Public Accountants (CPA) or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the state Treasury Circular letter 04-04 OMB. The auditor’s report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial statement of this report. The auditor’s reports related specifically to the single audit act are included in the single audit section of this report.

Respectfully submitted,



CEO/Chief Advocate

**COMMUNITY CHARTER SCHOOL OF PATERSON**

**ROSTER OF TRUSTEES AND OFFICERS  
JUNE 30, 2010**

**BOARD OF TRUSTEES**

Renee Hooks, Board President

Michael Jackson, Vice President

Robert Guarasci, Member

Michael Gowdy, Member

Maria Paulino, Member

Shelly Whitfield, Member

Martin Vergara, Member

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Scott J. Loeffler, CPA  
7 Cleveland Street  
Caldwell, NJ 07006

**ATTORNEYS**

Porzio, Bromberg and Newman, LLC  
100 South Gate Parkway  
Morristown, NJ 07962

**OFFICIAL DEPOSITORY**

TD Bank  
100 Hamilton Plaza  
Paterson, NJ 07501

## **FINANCIAL SECTION**

**SCOTT J. LOEFFLER**  
CERTIFIED PUBLIC ACCOUNTANT  
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EAST HANOVER, NEW JERSEY 07936

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**UNQUALIFIED OPINION ON BASIC FINANCIAL  
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY  
INFORMATION AND SUPPLEMENTARY SCHEDULE OF  
FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION -  
GOVERNMENT ENTITY**

**Independent Auditor's Report**

The Honorable Chairman and  
Members of the Board of Trustees  
Community Charter School of Paterson  
County of Passaic  
Paterson, New Jersey

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Trustees of the Community Charter School of Paterson, County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the charter schools' basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustees management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Community Charter School of Paterson, Board of Trustees, in the County of Passaic, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 24, 2010 on my consideration of the Community Charter School of Paterson, in the County of Passaic, State of New Jersey, Board of Trustees internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and Budgetary Comparison schedules on pages 11 through 21 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Community Charter School of Paterson Board of Trustees basic financial statements. The accompanying introductory section, other supplementary information including combining fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relations to the basic financial statements taken as a whole.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a small "CPA" at the end.

Scott J. Loeffler, CPA  
September 24, 2010

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

This section of Community Charter School of Paterson annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2009-10) and the prior year (2009-08) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2009-10 fiscal year include the following:

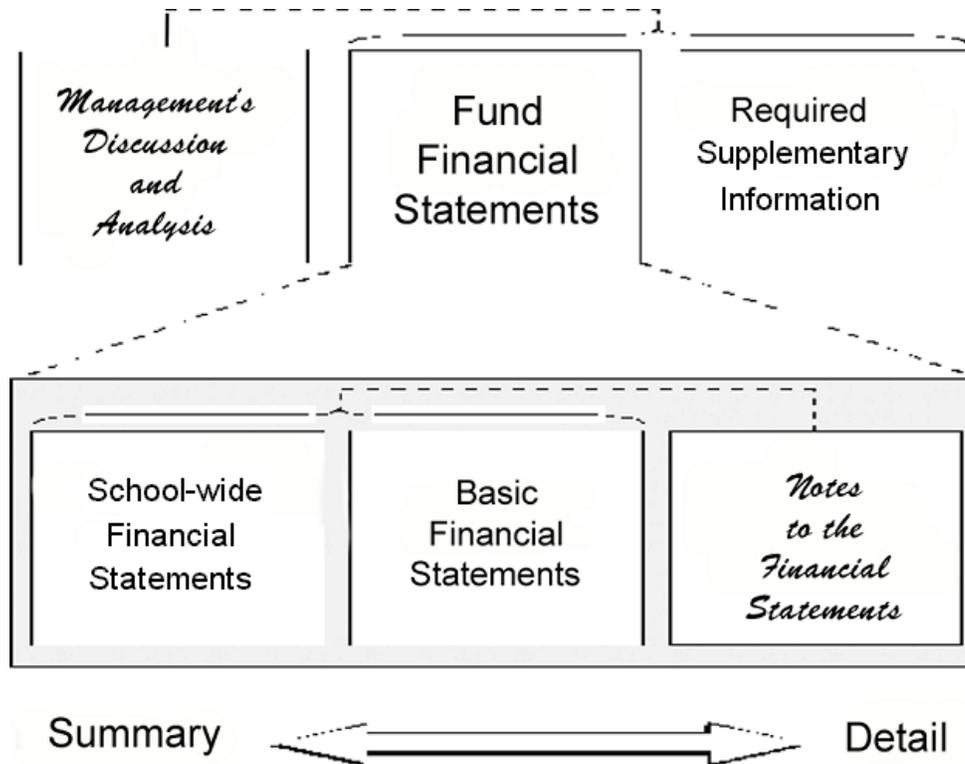
- Net assets were \$2,216,288.
- Net Assets increased by \$1,735,064 from July 1, 2009 to June 30, 2010.
- The General Fund balance at June 30, 2010 is \$1,735,064, a increase of \$1,258,546 when compared with the beginning balance at July 1, 2009.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Community Charter School of Paterson.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

**Figure A-1. Required Components of the Board's Annual Financial Report**



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Community Charter School of Paterson's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Community Charter School of Paterson, reporting the Community Charter School of Paterson's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the Community Charter School of Paterson operates like businesses.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Community Charter School of Paterson's financial statements, including the portion of the Community Charter School of Paterson's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2 - Major Features of the School-wide and Financial Statements**

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire school (except fiduciary funds)	The activities of the Community Charter School of Paterson that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Community Charter School of Paterson operates similar to private businesses: Internal service fund
Required financial statements	Statements of net assets	Balance sheet	Statement of net assets
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

**School-wide Statements**

The school-wide statements report information about the Community Charter School of Paterson as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Community Charter School of Paterson's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Community Charter School of Paterson's net assets and how they have changed. Net assets – the difference between the Community Charter School of Paterson's assets and liabilities – are one way to measure the Community Charter School of Paterson's financial health or position.

In the school-wide financial statements, the Community Charter School of Paterson's activities are shown in two categories:

- *Governmental activities*- Most of the Community Charter School of Paterson's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aid finances most of these activities.
- *Business-type activities*- The Community Charter School of Paterson does utilize the enterprise fund.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Community Charter School of Paterson's funds – focusing on its most significant or “major” funds – not the Community Charter School of Paterson as a whole.

Funds are accounting devices the Community Charter School of Paterson uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by State law and by bond covenants.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

The Community Charter School of Paterson use other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is property using certain revenues (e.g., federal funds).

The Community Charter School of Paterson has three kinds of funds:

- **Governmental funds-** Most of the Community Charter School of Paterson's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Community Charter School of Paterson's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Community Charter School of Paterson charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The Community Charter School of Paterson is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The Community Charter School of Paterson is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Community Charter School of Paterson's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. I exclude these activities from the Community Charter School of Paterson's government-wide financial statements because the Community Charter School of Paterson cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE CHARTER SCHOOL OF PATERSON AS A WHOLE**

**Net assets.** The Community Charter School of Paterson's net assets were \$2,216,280 on June 30, 2010. (See Table A-1).

Governmental	\$ 2,216,280
Business Activities Food Service	<u>          -</u>
Total	<u>\$ 2,216,280</u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

The Community Charter School of Paterson's financial position is the product of these factors:

- Total revenues during the 2009-10 school year were \$7,415,613.
- Total Expenditures were \$6,157,662.

**Table A-1**  
**Community Charter School of Paterson**  
**Statement of Net Assets**  
**As of June 30, 2010**

	<u><b>Total</b></u>
Current and Other Assets	2,067,939
Capital Assets (Including Business Activities)	481,224
<b>Total Assets</b>	<u><b>\$2,549,163</b></u>
Long-Term Liabilities	-
Other Liabilities	332,875
<b>Total Liabilities</b>	<u><b>\$332,875</b></u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	481,224
Unrestricted Enterprise Fund	
General Fund	1,735,064
<b>Total Net Assets</b>	<u><u><b>\$2,216,288</b></u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net assets of \$2,216,288 on June 30, 2010.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

**Table A-2**  
**Community Charter School of Paterson**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2010**

<u>Revenues</u>	<u>Total</u>
Program revenues	
Charges for services	30,122
Operating grants and contributions	
General revenues	
Local Share	615,546
Federal and State Aid-Unrestricted	5,324,488
Federal and State Aid-Restricted	1,322,842
Board Subsidy Enterprise Fund	20,669
Miscellaneous Revenue	101,946
Increase in Net Capital Outlay	481,224
<b>Total revenues</b>	<b>\$ 7,896,837</b>
<b>Expenses</b>	
Regular Instruction	2,642,231
General Administrative	1,446,493
School Administrative	1,561,524
On-behalf TPAF Social Security	102,516
Capital Outlay	177,519
Enterprise Fund	227,379
<b>Total expenses</b>	<b>\$ 6,157,662</b>
Increase (Decrease) in net assets	1,739,175
Net Assets, Beginning July 1	477,013
Net Assets, End of Year June 30	<b>\$ 2,216,188</b>

**Changes in Net Assets.** The Community Charter School of Paterson's total revenues were \$7,415,613. Local shares of \$615,546 represented (8%) of revenues. The state aid and federal aid of \$6,647,330 represented (90%) of revenues and other revenues of \$152,737 represented (2%) of revenues.

The Community Charter School of Paterson's expenditures of \$6,157,662 are predominantly related to instruction and support services.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

Table A-3 (See Exhibit A-2)  
**Community Charter School of Paterson**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2010**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>Governmental Activities</b>			
Instruction			
Regular	B-2	2,642,231	2,642,231
<b>Support Services</b>			
General Administrative Services	B-2	1,446,493	1,446,493
School Administrative Services	B-2	1,561,524	1,561,524
On-behalf TPAF Social Security	B-2	102,516	102,516
Capital Outlay	B-2	177,519	177,519
Food Service		227,379	227,379
<b>Total Governmental Activities</b>		<b>\$ 6,157,662</b>	<b>\$ 6,157,662</b>

**FINANCIAL ANALYSIS OF THE CHARTER SCHOOL OF PATERSON AS A WHOLE**

The financial performance of the Community Charter School of Paterson as a whole is reflected in its governmental activities Exhibit A-2. As the Community Charter School of Paterson completed the year, its general funds reported a combined fund balance of \$1,735,064.

Revenues for the Community Charter School of Paterson's governmental funds and business activities were \$4,415,613 while total expenditures were \$6,157,662. (Table A-2) (Exhibit A-2)

**GENERAL FUND**

The General Fund includes the primary operations of the Community Charter School of Paterson in providing educational services to students from Kindergarten through Grade 4.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

The following schedule presents a summary of General Fund Revenues. The summary reflects the dollar and percent increase (decrease) from the prior year.

**Table A-4 (See Exhibit B-2)**  
**Community Charter School of Paterson**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2010 and 2009**

<b>General Fund Revenues</b>	<b>Year Ended June 30, 2010</b>	<b>Year Ended June 30, 2009</b>	<b>Amount of Increase (Decrease)</b>
<b>Local Sources:</b>			
Local Share	615,546	413,288	202,258
Other Local Revenue	152,737	-	152,737
<b>Total Local Sources</b>	<b>\$ 768,283</b>	<b>\$ 413,288</b>	<b>\$ 354,995</b>
<b>Intergovernmental</b>			
State Sources	5,758,292	3,804,119	1,954,173
Federal Sources	889,038	242,847	646,191
<b>Total Intergovernmental Sources</b>	<b>\$ 6,647,330</b>	<b>\$ 4,046,966</b>	<b>\$ 2,600,364</b>
<b>Total Revenue</b>	<b>\$ 7,415,613</b>	<b>\$ 4,460,254</b>	<b>\$ 2,955,359</b>

The following schedule presents a summary of General Fund expenditures. The summary reflects the dollar and percent increases (decreases) from the prior year.

**Table A-5 (See Exhibit B-2)**  
**Community Charter School of Paterson**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2010 and 2009**

<b>General Fund Expenditures</b>	<b>Year Ended 06/30/2010</b>	<b>Year Ended 06/30/2009</b>	<b>Amount of Increase (Decrease)</b>
<b>Current:</b>			
Regular Instruction	2,642,231	1,843,358	798,873
General Administrative Services	1,446,493	738,958	707,535
School Administration	1,561,524	1,089,303	472,221
On-behalf TPAF Social Security	102,516	-	102,516
Capital outlay	177,519	311,883	(134,364)
Food Service	227,379	184,495	42,884
<b>Total Expenditures</b>	<b>\$ 6,157,662</b>	<b>\$ 4,167,997</b>	<b>\$ 1,989,665</b>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

Total General Fund expenditures decreased by \$192,895.

**UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES**

The following table shows the General Fund unreserved-undesignated fund balance.

**Table A-6**  
**Community Charter School of Paterson**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2010**

<b>General Fund</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Unreserved-Undesignated Fund Balance	1,735,064	476,518
Expenditures	6,157,662	4,167,997
Percentage	28%	11%

The Community Charter School of Paterson values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designed to support the subsequent years budgets \$1,735,064.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2010, in the General Fund, the district had invested \$489,302 in a broad range of capital assets, including school buildings, computer and audio-visual equipment. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expenses for the year for the year was \$8,078.

**Table A-7**  
**Community Charter School of Paterson**  
**Changes in Net Assets - School Wide**  
**For the Fiscal Year Ended June 30, 2010**

Facilities Improvement	411,121
Equipment	78,181
<b>Total - General Fund</b>	<b><u>\$489,302</u></b>
Less: Accumulated Depreciation	(8,078)
<b>Total - Net Capital Assets General Fund</b>	<b><u><u>\$481,224</u></u></b>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

**State Aid**—As part of the “time-out” decision of the Supreme Court, the NJDOE was granted permission for level spending for the 2009-10 school year. The practical implication of this ruling is that the Community Charter School of Paterson 2009-10 budget can be not greater than its kindergarten through grade 4 expenditures in the 2009-10 school year. The financial position of the State of New Jersey will likely result in continued level state aid for the 2009-10 school year. The school is likely to feel financial pressures related to contractual obligations that will put pressure on the school programs, inclusive of staffing levels.

**No Child Left Behind (NCLB)**—The integration of the requirements of this federal legislation needs to be integrated into in a way that eliminates duplication. The challenge before the State of New Jersey is development of a single, seamless process of assessment, planning, implementation, and evaluation that satisfies both State and federal authorities.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Business Office, Community Charter School of Paterson, 75 Spruce Street, Paterson, New Jersey 07501.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the Community Charter School of Paterson's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2010.

## **SCHOOL-WIDE FINANCIAL STATEMENTS**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,512,038	\$ (44,651)	\$ 1,467,387
Investments	-	-	-
Receivables, net	550,071	50,481	600,552
Inventory	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Capital reserve account - cash	-	-	-
Capital assets, net (Note 2):	481,224	-	481,224
Total Assets	<u>2,543,333</u>	<u>5,830</u>	<u>2,549,163</u>
<b>LIABILITIES</b>			
Cash Overdraft			-
Accounts payable	266,836	5,830	272,666
Due to Districts	11,696	-	11,696
Deposits payable	-	-	-
Payable to federal government		-	-
Payable to state government	48,513	-	48,513
Deferred revenue	-	-	-
Noncurrent liabilities (Note 3):			
Due within one year		-	-
Due beyond one year	-	-	-
Total liabilities	<u>327,045</u>	<u>5,830</u>	<u>332,875</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	481,224	-	481,224
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpendable	-	-	-
Other purposes	-	-	-
Unrestricted	1,735,064	0	1,735,064
Total net assets	<u>\$ 2,216,288</u>	<u>\$ -</u>	<u>\$ 2,216,288</u>

**The accompanying Notes to the Basic Financial Statements are an integral part of this statement.**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (2,642,231)	\$ -	\$ (607,097)	\$ -	(2,035,134)	\$ -	\$ (2,035,134)
Support services:							
General administratrion	(1,446,493)	-	(114,210)	-	(1,332,283)	-	(1,332,283)
School administrative services/ operations plant serv.	(1,561,524)	-	-	-	(1,561,524)	-	(1,561,524)
On - behalf TPAF Social Security	(102,516)	-	-	-	(102,516)	-	(102,516)
Capital Outlay	(177,419)	-	-	-	(177,419)	-	(177,419)
Total governmental activities	<u>(5,930,183)</u>	<u>-</u>	<u>(721,307)</u>	<u>-</u>	<u>(5,208,876)</u>	<u>-</u>	<u>(5,208,876)</u>
Business-type activities:							
Food Service	-	227,379	-	-	-	(227,379)	(227,379)
Total business-type activities	<u>-</u>	<u>227,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(227,379)</u>	<u>(227,379)</u>
Total primary government	<u>\$ (5,930,183)</u>	<u>\$ 0</u>	<u>\$ (721,307)</u>	<u>\$ -</u>	<u>\$ (5,208,876)</u>	<u>\$ (227,379)</u>	<u>\$ (5,436,255)</u>
General revenues:							
					615,546	30,122	645,668
					5,324,488	8,362	5,332,850
						167,731	167,731
					425,442		425,442
					101,946	20,669	122,615
					481,224	0	481,224
Total general revenues, special items, extraordinary					<u>6,948,646</u>	<u>226,884</u>	<u>7,175,530</u>
Change in Net Assets					1,739,770	(495)	1,739,275
Net Assets—beginning					476,518	495	477,013
Net Assets—ending					<u>\$ 2,216,288</u>	<u>\$ -</u>	<u>\$ 2,216,288</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$1,912,301	(\$400,263)		\$0	\$1,512,038
Investments					
Receivables, net	125,571	424,500	-		550,071
Inventory					0
Restricted cash and cash equivalents					0
Total assets	<u>\$ 2,037,872</u>	<u>\$ 24,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,062,109</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					0
Cash Overdraft			-		0
Accounts payable	242,599	24,237			266,836
Due to districts.	11,696				11,696
Payable to federal government	-				0
Payable to state government	48,513				48,513
Deferred revenue	-				0
Total liabilities	<u>302,808</u>	<u>24,237</u>	<u>-</u>		<u>327,045</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	1,735,064		-		1,735,064
Capital projects fund					
Permanent fund					
Total Fund balances	<u>1,735,064</u>				<u>1,735,064</u>
Total liabilities and fund balances	<u>\$ 2,037,872</u>	<u>\$ 24,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,062,109</u>

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$ 489,302 and the accumulated depreciation is (\$8,078) 481,224

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)

Net assets of governmental activities \$ 2,216,288

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local sources:					
Local share	\$ 615,546	\$ -	\$ -		\$ 615,546
State Share	5,324,488	-	-	-	5,324,488
Other Restricted Miscellaneous Revenues	-				-
Philanthropic Support	101,946	-		-	101,946
Total - Local Sources	6,041,980	-	-	-	6,041,980
State sources	425,442			-	425,442
Federal sources	-	721,307	-	-	721,307
Total revenues	6,467,422	721,307	-	-	7,188,729
<b>EXPENDITURES</b>					
Current:					
Regular instruction	\$ 2,035,134	\$ 607,097	\$ -	\$ -	\$ 2,642,231
Support services- General Administrative	1,332,283	114,210	-	-	1,446,493
Support Services- School Admin/ operations plant se	1,561,524				1,561,524
On-behalf TPAF Social Security	102,516				102,516
Capital outlay	177,419			-	177,419
Total expenditures	5,208,876	721,307	-	-	5,930,183
Excess (Deficiency) of revenues over expenditures	1,258,546	-	-	-	1,258,546
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
<b>SPECIAL ITEM</b>					
Proceeds from sale of land	-	-	-	-	-
Net change in fund balances	1,258,546	-	-	-	1,258,546
Fund balance—July 1	476,518	-	-	-	476,518
Fund balance—June 30	\$ 1,735,064	\$ -	\$ -	\$ -	\$ 1,735,064

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**COMMUNITY CHARTER SCHOOL OF PATERSON  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2010**

**Total net change in fund balances - governmental funds (from B-2)** \$ 1,258,546

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (8,078)	
Capital outlays	<u>489,302</u>	481,224

Repayment of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

-

**Change in net assets of governmental activities**

\$ 1,739,770

**The accompanying Notes to the Basic Financial Statements are an integral part of this statement.**

## **PROPRIETARY FUNDS**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

			<b>Business-type Activities</b>
			<b>Enterprise funds</b>
			<b>Food Service</b>
			<b>-----</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$	-	
Investments		48,266	
Accounts receivable - Federal Aid		2,215	
Accounts receivables - State Aid			
Inventories			
Total current assets		<b>50,481</b>	<b>-----</b>
Noncurrent assets:			
Restricted cash and cash equivalents		-	
Furniture, machinery & equipment		-	
Less accumulated depreciation		-	
Total noncurrent assets		<b>-</b>	<b>-----</b>
Total assets		<b>50,481</b>	<b>=====</b>
 <b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft		44,651	
Accounts Payable		5,830	
Compensated absences		-	
Total current liabilities		<b>50,481</b>	<b>-----</b>
Total liabilities		<b>50,481</b>	<b>=====</b>
 <b>NET ASSETS</b>			
Invested in capital assets net of related debt		-	
Restricted for:			
Capital projects		-	
Unrestricted		-	
Total net assets	\$	<b>-</b>	<b>=====</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Exhibit B-5

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	<b>Business-type Activities Enterprise Fund</b> <hr/> <b>Food Service</b> <hr/>
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$ 3,698
Miscellaneous Revenue	26,424
Total operating revenues	<hr/> 30,122 <hr/>
Operating expenses:	
Cost of sales	227,379
Salaries and Benefits	-
Professional Fees	-
Supplies, Materials and Other Expenses	-
Depreciation	0
Total Operating Expenses	<hr/> 227,379 <hr/>
Operating income (loss)	<hr/> (197,257) <hr/>
Nonoperating revenues (expenses):	
Board Subsidy	20,669
State sources:	
State Breakfast Program	5,120
State school lunch program	3,242
Federal sources:	
National school breakfast program	41,204
National school lunch program	126,527
National snack program	-
Total nonoperating revenues (expenses)	<hr/> 196,762 <hr/>
Income (loss) before contributions & transfers	(495)
Capital contributions	-
Transfers in (out)	0
Change in net assets	<hr/> (495) <hr/>
Total net assets—beginning	495
Total net assets—ending	<hr/> \$ - <hr/>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

**Exhibit B-6**

		<b>Business-type Activities Enterprise Funds</b>
		<b>Food Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 30,122	
Payments to employees and benefits	0	
Payments to suppliers	(298,061)	
Net cash provided by (used for) operating activities	<u>(267,939)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State and Federal Sources	155,934	
Operating subsidies and transfers to other funds	20,669	
Net cash provided by (used for) non-capital financing activities	<u>176,603</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase In Fixed Assets	---	
Proceeds from sale/maturities of investments	---	
Net cash provided by (used for) investing activities	<u>-</u>	
Net increase (decrease) in cash and cash equivalents	(91,336)	
Cash Balances—beginning of year	46,685	
Cash Balances—end of year	<u>\$ (44,651)</u>	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (495)	
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net	(20,159)	
(Increase) decrease in inventories	-	
(Increase) decrease in USDA Communities	-	
Increase (decrease) in accounts payable	(70,682)	
Increase (decrease) in accrued compensated absences	0	
Total adjustments	<u>(90,841)</u>	
Net cash provided by (used for) operating activities	<u>\$ (91,336)</u>	

**The accompanying Notes to the Basic Financial Statements are an integral part of this statement.**

## **FIDUCIARY FUNDS**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	Unemployment Compensation Trust	Gear Up Scholarship Fund	Agency fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments, at fair value:			
U.S. government obligations	-	-	-
NJ municipal bonds	-	-	-
Total investments	-	-	-
Total assets	-	-	\$ -
<b>LIABILITIES</b>			
Accounts payable		-	-
Payable to district	-	-	-
Payable to student groups	-	-	-
Payroll deductions and withholdings	-	-	-
Total liabilities	-	-	\$ -
<b>NET ASSETS</b>			
Held in trust for unemployment claims and other purposes	\$ -		
Reserved for scholarships		\$ -	

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2010**

	Unemployment Compensation Trust
<b>ADDITIONS</b>	
Contributions:	
Plan member	\$ -
Other	-
Total Contributions	-
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	-
Dividends	-
Less investment expense	-
Net investment earnings	-
Total additions	-
<b>DEDUCTIONS</b>	
Quarterly contribution reports	39,325
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	39,325
Change in net assets	
Net assets—beginning of the year	39,325
Net assets—end of the year	\$ -

**The accompanying Notes to the Basic Financial Statements are an integral part of this statement.**

**NOTES TO THE FINANCIAL STATEMENTS**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Community Charter School of Paterson been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Community Charter School of Paterson's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) unanimously approved basic Financial Statements and Management's Discussion and Analysis for State and Local governments (Statement No. 34). This statement provides for significant changes in financial reporting and was first implemented by the Community Charter School of Paterson for the fiscal year ending June 30, 2009. In addition, the school has implemented GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity:**

The Community Charter School of Paterson is an instrumentality of the State of New Jersey, established to function as an education institution. The Community Charter School of Paterson Board of Trustees is responsible for the fiscal control of the Community Charter School of Paterson. An Executive Director is appointed by the Community Charter School of Paterson and is responsible for the administrative control of the Community Charter School of Paterson. Under existing statutes, the Community Charter School of Paterson's duties and powers include, but are not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Community Charter School of Paterson Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The accompanying financial statements present the government and its component units, entities for which the school is considered to be financially accountable. The Community Charter School of Paterson has no blended or discretely presented component units. Furthermore, the Community Charter School of Paterson is not includable in any other reporting entity as a component unit.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**B. Government-wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Community Charter School of Paterson and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *miscellaneous revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**  
**(continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this measurement focus and basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available).

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Community Charter School of Paterson considers revenues to be available if they are collected within 90 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures, which are recorded when payment is due and compensated absences and claims and judgments which are recorded only to the extent that there are expendable financial resources available.

Other items associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Community Charter School of Paterson.

The Community Charter School of Paterson reports the following major governmental funds:

The *general fund* is the Community Charter School of Paterson's primary operating fund. It accounts for all financial resources of the Community Charter School of Paterson, except those required to be accounted for in another fund.

The Community Charter School of Paterson reports the following major proprietary fund which are organized to be self-supporting through user charges:

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for private donations for scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the intended purposes. There is no requirement that any portion of these resources be preserved as capital.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**  
**(continued)**

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Community Charter School of Paterson has elected not to follow FASB guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* in the Community Charter School of Paterson -wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**D. Assets, Liabilities and Net Assets or Equity:**

**1. *Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**E. Assets, Liabilities and Net Assets or Equity (continued):**

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

**2. *Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**3. *Inventories and Prepaid Items***

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred revenue.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Accrued Liabilities and Payables**

All payables and accrued liabilities, are reported on the school-wide financial statements. In general, governmental fund payables and accrued liabilities that, once, incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The school's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**4. *Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the Community Charter School of Paterson as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**D. Assets, Liabilities and Net Assets or Equity: (continued)**

historical cost if purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method.

**5. *Fund Equity***

Reservations/Designations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. Specific reservations/designations of the fund balance accounts are summarized below.

**Reserve for Encumbrances** - This reserve is created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30. There were no reserve for encumbrance at June 30, 2010.

**Reserve for Capital Reserve Account** - This reserve is created by budget appropriation to fund future capital expenditures.

**Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures** - This reserve is created to represent the portion of fund balance at June 30, 2010 restricted and utilized in the adopted subsequent year's budget. At June 30, 2010 there were no reserves.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

No difference noted.

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information:**

In accordance with the requirements of the New Jersey Department of Education, the Community Charter School of Paterson annually prepares its operating budget for the forthcoming year. The budget, except for the special revenue fund, which is more fully explained below, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon by the Board of Trustees. Budget adoptions and amendments are recorded in the Community Charter School of Paterson minutes.

The budget is properly amended by the Community Charter School of Paterson trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount.

The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The school approved several budget transfers during 2009/2010.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**A. Budgetary Information: (continued)**

the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the special revenue fund from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Operating In</u>	<u>Transfers Out</u>
Budgetary Basis	\$721,307	\$721,307	-	-
Adjustments:	-	-	-	-
Add encumbrances at June 30, 2009	-	-	-	-
Less encumbrances at June 30, 2010	-	-	-	-
GAAP Basis	<u>\$721,307</u>	<u>\$721,307</u>	-	-

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**B. Capital Reserve Account:**

Funds placed in the capital reserve account are restricted to capital projects in the Community Charter School of Paterson's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR).

**NOTE 4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

As of June 30, 2010, Community Charter School of Paterson cash and cash equivalents consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Operating Account	\$1,912,301	(\$400,263)	(\$44,651)	\$1,467,387

**Category 1** - Insured or collateralized with securities held by the Board or its agent in the Board's name.

**Category 2** - Collateralized with securities held by the pledging financial institutions trust department or agent in the Board's name.

**Category 3** - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Community Charter School of Paterson's name.

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Bank Balance</u>
Deposits	\$1,467,387	\$ 0	\$ 0	\$1,467,387

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and Investments (continued)**

The Community Charter School of Paterson’s cash deposits as June 30, 2010 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

**Investments**

New Jersey statutes permit the Community Charter School of Paterson to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the Community Charter School of Paterson or bonds or other obligations of the local unit or units which the school district is located.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 18A:20-37.

The Community Charter School of Paterson had no outstanding investments at June 30, 2010.

Receivables as of year-end for the government's individual major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$125,571</u>	<u>\$424,500</u>	<u>\$50,481</u>	<u>\$600,552</u>
Gross Receivables	<u>\$125,571</u>	<u>\$424,500</u>	<u>\$50,481</u>	<u>\$600,552</u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)**

**B. Deferred Revenue**

Deferred Revenue represents funds which have been received but not yet earned.

The Deferred Revenue in the General Special Revenue Funds: -0-

**C. Capital Assets**

Capital assets as at the year ended June 30, 2010 was as follows:

**Primary Government:**

	<b><u>Balance at June 30, 2010</u></b>
<b>Capital assets, being depreciated:</b>	
Facilities Improvements	411,121
Equipment	<u>78,181</u>
Total capital assets being depreciated	<u>\$ 489,302</u>
<b>Less accumulated depreciation for:</b>	
Building	4,169
Machinery and equipment	<u>3,909</u>
Total accumulated depreciation	<u>\$8,078</u>
Total capital assets, being depreciated, net	<u>\$481,224</u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)**

**C. Capital Assets (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Total depreciation expense - governmental activities	<u>\$8,078</u>
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Capital assets are depreciated in the financial statements using the straight-line method over the estimated useful life of the asset.

**D. Interfund Receivables, Payables, and Transfers:**

As of June 30, 2010, there were no interfund transactions reflected.

**NOTE 5. OTHER INFORMATION**

**A. Contingent Liabilities**

The Community Charter School of Paterson participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Community Charter School of Paterson may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Community Charter School of Paterson believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Community Charter School of Paterson.

The Community Charter School of Paterson's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Community Charter School of Paterson and which might materially affect the Community Charter School of Paterson's financial position.

**B. Employee Retirement Systems and Pension Plans**

**Plan Description**

Substantially all of the Community Charter School of Paterson's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible school employees.

Public Employees' Retirement System (PERS) -Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) -Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**Other Pension Funds**

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system. According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trusts.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Other Pension Funds (continued)**

The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**Significant Legislation**

P.L. 2007, c.92, implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a Defined Contribution Retirement Program (DCRP) for elected and certain appointed officials, effective July 1, 2007; closed the Workers' Compensation Judges part of PERS to new members, effective July 1, 2007;

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Significant Legislation (continued)**

eliminated the four percent fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans.

It also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

P.L. 2007, c.103, certain parts effective July 1, 2007, provided for the following: changed employee contribution rates of TPAF, PERS (State employees only) and DCRP to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) and established for State employees an employee contribution of 1.5 percent of the employee's base salary.

Public Law 2009, c. 19 (S-21) was enacted on March 17, 2009 and allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying the full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the PERS and or PFRS obligations for payments due in the State fiscal year ending June 30, 2010. These payments were due on April 1, 2010.

**Funding Status and Funding Progress**

As of June 30, 2007, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 76.0 percent with an unfunded actuarial accrued liability of \$28.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Funding Status and Funding Progress (continued)**

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time.

The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the June 30, 2007 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS and 5.5% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF.

**Annual Pension Costs (APC)**

During the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals the annual required contribution.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Annual Pension Costs (APC) (continued)**

TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the school to the pension system in accordance with Chapter 114, P.L. 1997.

During the years ended June 30, 2010, 2009, and 2008 the school was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension contributions (including non-contributory group life insurance (NCGI)).

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the school \$33,830 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the school-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**C. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other than Pension Plans (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund -State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund -Local classified as a cost-sharing multiple-employer plan in the State's CAFR.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**C. Post-Retirement Medical Benefits (continued)**

The health benefit programs had a total of 452 state and local participating employers and contributing entities for Fiscal Year 2009.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Funds. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of June 30, 2007, the most recent actuarial valuation date, the State had a \$50.6 billion unfunded actuarial accrued liability for other post employment benefits (OPEB) which is made up to \$18.4 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**C. Post-Retirement Medical Benefits (continued)**

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the June 30, 2007, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 45.0 percent for investment rate of return for the OPEB.

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 80,181 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in fiscal year 2009.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Notes To Financial Statements**  
**Year Ended June 30, 2010**

**NOTE 5. OTHER INFORMATION (continued)**

**C. Post-Retirement Medical Benefits (continued)**

**Post-Retirement Medical Benefits Contributions (continued)**

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF and PERS retirees' post-retirement benefits on behalf of the school was not determined or made available by the State of New Jersey.

**NOTE 6. RISK MANAGEMENT**

The Community Charter School of Paterson is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**NOTE 7. SUBSEQUENT EVENTS**

The school has evaluated subsequent events occurring after the balance sheet through the date of September 24, 2010, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Share	\$615,546	\$0	\$615,546	\$615,546	\$0
State Share	5,584,892	0	5,584,892	5,324,488	260,404
Other Restricted Miscellaneous Revenues					
Miscellaneous	101,946		101,946	101,946	0
Total - Local Sources	<u>6,302,384</u>	<u>0</u>	<u>6,302,384</u>	<u>6,041,980</u>	<u>260,404</u>
Categorical Aid					
Special Education	121,462	0	121,462	121,462	\$0
Security Aid	0	0	0	0	\$0
Targeted At-Risk Aid		0	0	0	
Non-Public Aid	201,464	0	201,464	201,464	\$0
TPAF Pension (On-Behalf - Non-Budgeted)	0		0	0	\$0
TPAF Social Security (Reimbursed - Non-Budgeted)	0	0	0	102,516	(102,516)
Total State Sources	<u>322,926</u>	<u>0</u>	<u>322,926</u>	<u>425,442</u>	<u>(102,516)</u>
<b>Total Revenues</b>	<u>6,625,310</u>	<u>0</u>	<u>6,625,310</u>	<u>6,467,422</u>	<u>157,888</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Teachers Salary	1,868,818	0	1,868,818	1,556,704	312,114
Other Salaries	394,000	0	394,000	304,103	89,897
Prof/Tech Services	85,400	0	85,400	32,727	52,673
Other Purchased Services (400-500 series)	47,000	0	47,000	19,500	27,500
General Supplies	150,000	0	150,000	48,078	101,922
Textbooks	164,040	0	164,040	58,064	105,976
Other Objects	41,160	0	41,160	15,958	25,202
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>2,750,418</u>	<u>0</u>	<u>2,750,418</u>	<u>2,035,134</u>	<u>715,284</u>

COMMUNITY CHARTER SCHOOL OF PATERSON  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Support Services - General Administrative</b>					
Salaries of Administrative Salaries	\$338,000	\$0	\$338,000	\$278,927	\$59,073
Salaries of Secretarial and Clerical Assistants	184,400	(20,669)	163,731	125,925	37,806
Cost of Benefits	736,590	0	736,590	612,670	123,920
Professional/Tech Services	179,165	0	179,165	146,803	32,362
Other Purchased Services (400-500 series)	83,761	0	83,761	73,470	10,291
Communications/Telephone	26,000	0	26,000	10,534	15,466
Supplies and Materials	40,000	0	40,000	27,967	12,033
Miscellaneous	79,393	0	79,393	55,987	23,406
	<u>1,667,309</u>	<u>(20,669)</u>	<u>1,646,640</u>	<u>1,332,283</u>	<u>314,357</u>
<b>Support Services - School Admin/Operation Plant Services</b>					
Salaries	387,160	-	387,160	308,552	\$78,608
Purchased Professional and Technical Services	157,000	0	157,000	112,806	44,194
Other Purchased Services	107,000	0	107,000	106,271	729
Rent	750,000	0	750,000	750,000	0
Insurance	38,720	0	38,720	26,912	11,808
General Supplies	124,488	0	124,488	63,454	61,034
Transportation- Trips	32,500	0	32,500	29,723	2,777
Energy (Energy and Electricity)	100,000	0	100,000	74,893	25,107
Miscellaneous	87,480	0	87,480	68,244	19,236
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>	<u>1,784,348</u>	<u>0</u>	<u>1,784,348</u>	<u>1,540,855</u>	<u>243,493</u>
<b>Food Service</b>					
Other Purchased Services	0	20,669	20,669	20,669	0
<b>Total Food Services</b>	<u>0</u>	<u>20,669</u>	<u>20,669</u>	<u>20,669</u>	<u>0</u>
On-behalf TPAF pension Contributions (non-budgeted)				0	
Reimbursed TPAF Social Security Contributions (non-budgeted)			0	102,516	(102,516)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>			<u>0</u>	<u>102,516</u>	<u>(102,516)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>					
	3,451,657	-	3,451,657	2,996,323	455,334
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>6,202,075</u>	<u>0</u>	<u>6,202,075</u>	<u>5,031,457</u>	<u>1,170,618</u>

COMMUNITY CHARTER SCHOOL OF PATERSON  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Regular Programs - Instruction:</b>					
Instructional Equipment	144,229	0	144,229	25,080	119,149
Non-instructional equipment	89,000	0	89,000	35,030	53,970
Purchased Improvements	0	0	0	0	0
Facilities Acquisition & Construction	190,006	0	190,006	117,309	72,697
<b>Total Equipment</b>	<u>423,235</u>	<u>0</u>	<u>423,235</u>	<u>177,419</u>	<u>245,816</u>
<b>TOTAL EXPENDITURES- GENERAL FUND</b>	6,625,310	0	6,625,310	5,208,876	1,416,434
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	1,258,546	(1,258,546)
<b>Other Financing Sources:</b>					
<b>Operating Transfer In:</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources:</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	0	0	0	1,258,546	(1,258,546)
<b>Fund Balance, July 1</b>	0	0		0	
			476,518	476,518	
<b>Fund Balance, June 30</b>	<u>\$0</u>	<u>\$0</u>	<u>\$476,518</u>	<u>\$1,735,064</u>	<u>(\$1,258,546)</u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources	\$ -		\$ -	\$ -	
State Sources	-		-	-	
Federal Sources	721,307		721,307	721,307	
<b>Total Revenues</b>	<u>721,307</u>		<u>721,307</u>	<u>721,307</u>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	397,265		397,265	397,265	
Other Salaries for Instruction					
Purchased Professional -Educational Services	-		-	-	
Purchased Professional and Technical Services	22,331		22,331	22,331	
Tutoring Program	-		-	-	
Other Purchased Services (400-500 series)					
Instructional Supplies	148,136		148,136	148,136	
Textbooks	-		-	-	
General Supplies	-		-	-	
Personal Services- Employee Benefits	39,365		39,365	39,365	
Textbooks					
Instructional Supplies	-		-	-	
<b>Total Instruction</b>	<u>607,097</u>		<u>607,097</u>	<u>607,097</u>	
<b>Support Services</b>					
Salaries of Supervisor of Instruction	17,090		17,090	17,090	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Communication	-		-	-	
Personal Services - Employee Benefits					
Purchased Professional - Educational Services	70,454		70,454	70,454	
Other Purchased Professional Services	12,766		12,766	12,766	
Program Administration	13,900		13,900	13,900	
Transportation	-		-	-	
Scholarships					
Food Service Equipment					
Other Purchased Services (400-500 series)					
Parental Invaolment Expeditures					
<b>Total Support Services</b>	<u>114,210</u>		<u>114,210</u>	<u>114,210</u>	

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
<b>Total Facilities Acquisition and Construction Services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Transfer to Charter School</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>721,307</u>	<u>-</u>	<u>721,307</u>	<u>721,307</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Outflows</b>	<u>721,307</u>	<u>-</u>	<u>721,307</u>	<u>721,307</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
Expenditures and Other Financing Sources (Uses)	<u>\$ 721,307</u>	<u>\$ -</u>	<u>\$ 721,307</u>	<u>\$ 721,307</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Required Supplementary Information  
Budgetary Comparison Schedule  
Note to RSI  
For the Fiscal Year Ended June 30, 2010**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures**

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

## **SPECIAL REVENUE FUND**

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures- Budgetary Basis**  
**For the Year Ended June 30, 2010**

	TOTAL	NCLB												
		TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE	TITLE I	IDEA	IDEA	CADRE 3	CADRE 2
		I	I c/o	II A	IIA c/o	IID	IID c/o	IV	IV c/o	ARRA	TITLE VI	ARRA	Start up Grant	Start up Grant
REVENUES														
Intergovernmental														
State	\$0													
Federal	721,307	374,234	87,917	1,285	9,409	3,000	1,696	941	49	25,334	67,325	62,944	60,000	27,173
Other Sources	0													
Miscellaneous														
Total Revenues	721,307	374,234	87,917	1,285	9,409	3,000	1,696	941	49	25,334	67,325	62,944	60,000	27,173
EXPENDITURES														
Instruction	0													
Salaries	397,265	274,845	59,482							14,688	48,250			
Transportation	0													
Personal Services	0													
Purchased Prof. and Tech. Services	22,331		6,000	1,285	9,409	3,000	1,696	941						
General Supplies	148,136	23,413	4,418						49	4,123	9,275	19,685	60,000	27,173
Textbooks	0													
Personal Services - Employee Benefits	39,365	25,514	4,051								9,800			
Other Objects	0													
Equipment Instructional	0													
Total Instruction	607,097	323,772	73,951	1,285	9,409	3,000	1,696	941	49	18,811	67,325	19,685	60,000	27,173
Support Services														
Salaries of Supervisors of Instruction	17,090	9,890	7,200											
Salaries of Program Directors	0													
Salaries of Other Prof. Staff	0													
Salaries of Secretarial and Clerical Ass't	0													
Other Purchased Services	12,766	6,000	6,766											
Program Administration	13,900	13,900												
Supplies and Materials	0													
Other Purchased Services	0													
Purchased Professional/Educational Ser.	70,454	20,672								6,523		43,259		
Scholarships	0													
Field Trips	0													
Building Improvements														
Total Support Services	114,210	50,462	13,966	0	0	0	0	0	0	6,523	0	43,259	0	0
TOTAL EXPENDITURES	\$721,307	\$374,234	\$87,917	\$1,285	\$9,409	\$3,000	\$1,696	\$941	\$49	\$25,334	\$67,325	\$62,944	\$60,000	\$27,173

## **PROPRIETARY FUNDS**

## **ENTERPRISE FUND**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Food Service Fund** - The fund provides for the operation of food services in all schools.

Exhibit G-1

COMMUNITY CHARTER SCHOOL OF PATERSON  
 Statement of Net Assets  
 JUNE 30, 2010

	<b>Business-Type Activities</b>
	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$0
Intergovernmental Receivable	
Federal	\$48,266
State	2,215
Accounts Receivable	
Total Current Assets	<u>50,481</u>
Total Assets	<u><u>50,481</u></u>
<b>LIABILITIES</b>	
Cash Overdraft	44,651
Accounts Payable	<u>5,830</u>
Total Current Liabilities	<u>50,481</u>
Net Assets	
Unrestricted	0
Invested in capital assets net of related debt	<u>0</u>
Total Net Assets	<u><u>\$0</u></u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2010**

	<u>Business-Type Activities</u> Enterprise Fund Food Services	<u>Business-Type Activities</u> Enterprise Fund After Care Program	<u>Business-Type Activities</u> Total
<b>OPERATING REVENUES</b>			
Local Sources			
Daily Sales - Reimbursable Programs	3,698	---	3,698
Special Lunch and Breakfast Program			
Miscellaneous Revenue		26,424	26,424
Total Operating Revenues	<u>3,698</u>	<u>26,424</u>	<u>30,122</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages and employee benefits			
Supplies, Materials & Other	(217,221)	(10,158)	(227,379)
Professional Fee			
Depreciation			
Cost of Sales			
Total Operating Expenses	<u>(217,221)</u>	<u>(10,158)</u>	<u>(227,379)</u>
Income (Loss) From Operations	<u>(217,221)</u>	<u>(10,158)</u>	<u>(227,379)</u>
Nonoperating Revenues			
Board Subsidy	20,669		20,669
State Sources			
National School Lunch	5,120		5,120
State Breakfast	3,242		3,242
Federal Sources			
School Breakfast Program	41,204		41,204
National School Lunch Program	126,527		126,527
National Snack Program	0		0
Total Nonoperating Revenues	<u>196,762</u>	<u>0</u>	<u>196,762</u>
Net Income (Loss)	(16,761)	16,266	(495)
Transafer from after care to Food Service	16,266	(16,266)	0
Total Net Assets- Beginning of Year	495	0	495
Total Net Assets- End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2010**

	<u><b>2010</b></u>
Cash flows from operating activities	
Cash Received from Customers	30,122
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(298,061)
Net Cash (Used) by Operating Activities	<u>(267,939)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	20,669
Cash Received from State and Federal Subsidy Reimbursements	155,934
Net Cash Provided by Noncapital Financing Activities	<u>176,603</u>
 Cash Flows from Investing Activities	<u>---</u>
Net Cash Provided by Investing Activities	<u>---</u>
Net Increase in Cash and Cash Equivalents	(91,336)
Cash and Cash Equivalents, Beginning of Year	46,685
Cash and Cash Equivalents, End of Year	<u>(\$44,651)</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	(\$495)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	(20,159)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	(70,682)
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(90,841)</u>
 Net Cash Used by Operating Activities	<u>(\$91,336)</u>

## **FIDUCIARY FUNDS**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Combining Statement of Agency Fund Net Assets**  
**Fiduciary Funds**  
**As of June 30, 2010**

	<u>Unemployment Insurance</u>	<u>Student Activity</u>	<u>Payroll Account</u>	<u>Payroll Agency</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash	\$0	\$1,646	\$0	\$0	\$1,646
Total Assets	<u>\$0</u>	<u>\$1,646</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,646</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Intergovernmental Payable - State					
Payroll Deductions and Withholdings			0	0	0
College Trust Fund					0
Due to Student Groups		1,646			1,646
Total Liabilities	<u>0</u>	<u>1,646</u>	<u>0</u>	<u>0</u>	<u>1,646</u>
<b>Fund Balances</b>					
Reserve For Unemploy. Trust Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$0</u>	<u>\$1,646</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,646</u>

**Exhibit H-2**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Nonexpendable Trust Fund  
Combining Statement of Agency Fund Net Assets  
Fiduciary Funds  
As of June 30, 2010**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Student Activity Account**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Parent Council Fund	<u>\$204</u>	<u>\$31,084</u>	<u>(\$29,642)</u>	<u>\$1,646</u>
Total	<u><u>\$204</u></u>	<u><u>\$31,084</u></u>	<u><u>(\$29,642)</u></u>	<u><u>\$1,646</u></u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$0	\$2,812,883	\$2,812,883	\$0
Total Liabilities	<u>0</u>	<u>2,812,883</u>	<u>2,812,883</u>	<u>0</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	0	2,003,497	2,003,497	0
Accrued Salaries and Wages	<u>                    </u>	<u>809,386</u>	<u>809,386</u>	<u>                    </u>
Total Liabilities	<u>\$0</u>	<u>\$2,812,883</u>	<u>\$2,812,883</u>	<u>\$0</u>

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Unemployment Compensation Insurance Trust Fund**  
**Statement of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS</b>				
Cash and cash Equivalents	\$39,325	\$0	\$39,325	\$0
Total Assets	<u>\$39,325</u>	<u>\$0</u>	<u>\$39,325</u>	<u>\$0</u>
<b>LIABILITIES</b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>FUND BALANCE</b>				
Reserve for Unemployment Compensation	\$39,325	\$0	\$39,325	\$0
Total Liabilities and Fund Balance	<u>\$39,325</u>	<u>\$0</u>	<u>\$39,325</u>	<u>\$0</u>

## **FINANCIAL TRENDS**

**Exhibit J-1**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
NET ASSETS BY COMPONENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
Governmental activities		
Invested in capital assets, net of related debt	\$ 481,224	\$ -
Restricted		
Unrestricted	<u>1,735,064</u>	<u>476,518</u>
Total governmental activities net assets	<u>\$ 2,216,288</u>	<u>\$ 476,518</u>
Business-type activities		
Invested in capital assets, net of related debt		
Restricted		
Unrestricted	<u>-</u>	<u>495</u>
Total business-type activities net assets	<u>\$ -</u>	<u>\$ 495</u>
School-wide		
Invested in capital assets, net of related debt	\$ 481,224	\$ -
Restricted		
Unrestricted	<u>1,735,064</u>	<u>476,518</u>
Total school net assets	<u>\$ 2,216,288</u>	<u>\$ 476,518</u>

EXHIBIT J-2

COMMUNITY CHARTER SCHOOL OF PATERSON  
 CHANGES IN NET ASSETS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010

	<u>2010</u>	<u>2009</u>
<b>Expenses</b>		
Governmental activities		
Instruction		
Regular	\$ 2,642,231	\$ 1,843,358
Support Services:		
General administration	1,446,493	738,958
School Administrative Services	1,561,524	1,089,537
On-behalf TPAF Social Security	102,516	-
Capital outlay	177,519	311,883
Unallocated depreciation	8,078	-
Total governmental activities expenses	<u>5,938,361</u>	<u>3,983,736</u>
Business-type activities:		
Food service	227,379	184,495
Child Care	-	-
Total business-type activities expense	<u>227,379</u>	<u>184,495</u>
Total school expenses	<u>\$ 6,165,740</u>	<u>\$ 4,168,231</u>
<b>Program Revenues</b>		
Governmental activities:		
Charges for services:		
Instruction (tuition)	\$ -	\$ -
Pupil transportation	-	-
Central and other support services	-	-
Operating grants and contributions	721,307	242,847
Capital grants and contributions	-	-
Total governmental activities program revenues	<u>721,307</u>	<u>242,847</u>
Business-type activities:		
Charges for services:		
Food service	226,884	184,990
Child care	-	-
Operating grants and contributions	-	-
Capital grants and contributions	-	-
Total business type activities program revenues	<u>226,884</u>	<u>184,990</u>
Total school program revenues	<u>\$ 948,191</u>	<u>\$ 427,837</u>
<b>Net (Expense)/Revenue</b>		
Governmental activities	\$ (5,217,549)	\$ -
Business-type activities	(495)	495
Total school-wide net expense	<u>\$ (5,218,044)</u>	<u>\$ 495</u>

**COMMUNITY CHARTER SCHOOL OF PATERSON  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
<b>General Revenues and Other Changes in Net Assets</b>		
Governmental activities:		
Local share	\$ 615,546	\$ 413,288
State Share	5,324,488	3,804,119
State aid	425,442	-
Philanthropic Support	-	-
Increase in Net Capital Outlay	489,302	-
Investment earnings	-	-
Miscellaneous income	101,946	-
Transfers	-	-
Total governmental activities	<u>6,956,724</u>	<u>4,217,407</u>
Business-type activities:		
Investment earnings	-	-
Transfers	-	-
Total business-type activities	<u>-</u>	<u>-</u>
Total school-wide	<u>\$ 6,956,724</u>	<u>\$ 4,217,407</u>
<b>Change in Net Assets</b>		
Governmental activities	\$ 1,739,670	\$ 476,518
Business-type activities	(495)	495
Total school	<u>\$ 1,739,175</u>	<u>\$ 477,013</u>

**EXHIBIT J-3**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
General Fund		
Reserved		
Unreserved	1,735,064	476,516
Total general fund	<u>\$ 1,735,064</u>	<u>\$ 476,516</u>
 All Other Governmental Funds		
Reserved		\$ -
Unreserved, reported in:		
Special revenue fund		-
Capital projects fund		
Debt service fund		-
Permanent fund		-
Total all other governmental funds		<u>\$ -</u>

**EXHIBIT J-4**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Local tax Levy	\$ 615,546	\$ 413,288
Other local revenue	101,946	-
State sources	5,749,930	3,804,119
Enterprise fund	226,884	
Federal sources	721,307	242,847
Total revenue	<u>7,415,613</u>	<u>4,460,254</u>
<b>Expenditures</b>		
Instruction		
Regular Instruction	2,035,134	1,843,358
Support Services:		
General administration	1,434,799	738,958
School administrative services/Plant	1,561,524	1,089,537
Food Service	227,379	-
Capital outlay	177,419	311,883
Debt service:		
Principal	-	-
Interest and other charges	-	-
Special Revenue	721,307	-
Total expenditures	<u>6,157,562</u>	<u>3,983,736</u>
Excess (Deficiency) of revenues over (under) expenditures	1,258,051	476,518
<b>Other Financing sources (uses)</b>		
Proceeds from borrowing	-	-
Capital leases (non-budgeted)	-	-
Proceeds from refunding	-	-
Payments to escrow agent	-	-
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,258,051</u>	<u>\$ 476,518</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%

**Source: School records**

## **REVENUE CAPACITY**

**EXHIBIT J-5**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
REVENUE CAPACITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOT APPLICABLE**

**Exhibit J-6**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Assessed Value and Actual Value of Taxable Property  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**Exhibit J-7**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Direct and Overlapping Property Tax Rates  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**Exhibit J-8**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Principal Property Taxpayers  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

## **DEBT CAPACITY**

**Exhibit J-9**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Property Tax Levies and Collections  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**Exhibit J-10**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Ratios of Outstanding Debt by Type  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**Exhibit J-11**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Ratios of Net General Bonded Debt Outstanding  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**Exhibit J-12**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Direct and Overlapping Governmental Activities Debt  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Exhibit J-13**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Demographic and Economic Statistics  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**Exhibit J-14**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Principal Employers  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**OPERATING INFORMATION  
(UNAUDITED)**

**Exhibit J-15**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Full-time Equivalent School Employees by Function/Program  
For the Year Ended June 30, 2010**

<u>Function/Program</u>	<u>2010</u>	<u>2009</u>
Instruction		
Regular		
Special education		
Other special education		
Vocational		
Other instruction		
Nonpublic school programs		
Adult/continuing education programs		
Support Services:		
Student & instruction related services		
General administration		
School administrative services		
Other administrative services		-
Central services		
Administrative Information Technology		
Plant operations and maintenance		
Pupil transportation		-
Other support services		-
Special Schools		-
Food Service		
Child Care		
 Total	 =====	 =====
		-

**Source:** School Personnel Records

**COMMUNITY CHARTER SCHOOL PATERSON**  
**Operating Statistics**  
**For the Year Ended June 30, 2010**

Pupil/Teacher Ratio

<u>Fiscal Year</u>	<u>Enroll</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Elementary</u>	<u>Middle School</u>	<u>Senior High School</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2009	359	3,983,736	11,097	0.00%		1:10	0	0	478	453	0.00%	0.00%
2010	486	5,930,183	12,202	9.96%		1:10	0	0	488	459	2.22%	1.24%

Sources: District records

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**School Building Information**  
**For the Year Ended June 30, 2010**

<b><u>School Building</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Building		
Square Feet	34,000	34,000
Capacity (students)	500	500
Enrollment	486	486
Number of Schools at June 30, 2010		
Elementary = 1		
Middle School = 0		
Senior High School = 0		

**Source:** School Office

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Insurance Schedule**  
**For the Year Ended June 30, 2010**

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
<b>Property:</b>		
Building and Contents	\$ 750,000	\$ 1,000
Business Income & Extra Expense	2,100,000	1,000
Electronic Data Processing - Blanket Computer Exposure	60,000	500
Boiler & Machinery	750,000	1,000
<b>Crime Coverage:</b>		
Employee Dishonesty - Blanket Form	50,000	500
Forgery or Alteration	5,000	500
Money & Securities	5,000	500
Money Orders/Counterfeit	5,000	500
Kidnap, Ransom, Extortion	25,000	500
Bond Board Secretary	150,000	
Bond Board Treasurer	250,000	
<b>Comprehensive General Liability</b>		
General Aggregate	3,000,000	
Products/Completed Operations	3,000,000	
Personal/Advertising Injury	1,000,000	
Each Occurrence	1,000,000	
Fire Damage	100,000	
Medical Expense	5,000	
Abuse Sublimit - Per Person	250,000	
Abuse Sublimit - Aggregate	250,000	
Automobile Liability - Hired & Non-Owned	1,000,000	
<b>Educators Protection Plus Coverage</b>		
Professional Educators Legal Liability	1,000,000	5,000
Professional Educators Legal Liability Aggregate	1,000,000	5,000
Defense Reimbursement	100,000	5,000
Defense Reimbursement Aggregate	300,000	5,000
<b>Directors &amp; Officers</b>		
Each Loss - Directors & Officers Liability	3,000,000	5,000
Each Loss - Employment Practices Liability	3,000,000	5,000
Aggregate	6,000,000	
Workman's Compensation	1,000,000	
(Each Accident, Each Employee, Policy Limit)		

**Source: Charter School Records**

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**General Fund - Other Local Revenue By Source**  
**For the Year Ended June 30, 2010**

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
Fiscal Year							
Ending June 30,							
2009							
2010						101,946	101,946

Source: School records

**Exhibit J-20**

**COMMUNITY CHARTER SCHOOL OF PATERSON  
Schedule of Allowable Maintenance Expenditures by School Facility  
For the Year Ended June 30, 2010**

**NOT APPLICABLE**

**SINGLE AUDIT SECTION K**

SCOTT J. LOEFFLER  
CERTIFIED PUBLIC ACCOUNTANT  
P. O. BOX 553  
EAST HANOVER, NEW JERSEY 07936

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**EXHIBIT K-1**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable President and  
Members of the Board of Trustees  
Community Charter School of Paterson  
County of Passaic  
Paterson, New Jersey

I have audited the financial statements of the Board of Trustees of the Community Charter School of Paterson County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued my report thereon dated September 24, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Community Charter School of Paterson Board of Trustees internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Community Charter School of Paterson Board of Trustee's internal control over financial reporting. Accordingly, I do not express an opinion on effectiveness of the Community Charter School of Paterson Board of Trustee's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Community Charter School of Paterson Board of Trustees financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the management of the Community Charter School of Paterson, Board of Trustees and the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Licensed Public School Accountant No. 870  
Scott J Loeffler, CPA

September 24, 2010

SCOTT J. LOEFFLER  
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**EXHIBIT K-2**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and  
Members of the Board of Trustees  
Community Charter School of Paterson  
County of Passaic  
Paterson, New Jersey

**Compliance**

I have audited the compliance of the Board of Trustees of the Community Charter School of Paterson, in the County of Passaic, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010. Community Charter School of Paterson major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Community Charter School of Paterson management. My responsibility is to express an opinion on the Community Charter School of Paterson compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Community Charter School of Paterson's Board of Trustees compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My

audit does not provide a legal determination of the Board of Trustees of the Community Charter School of Paterson compliance with those requirements.

In my opinion, the Board of Trustees of the Community Charter School of Paterson, in the County of Passaic, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of the Board of Trustees of the Community Charter School of Paterson is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing my audit, I considered the Community Charter School of Paterson internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly I do not express an opinion on the effectiveness of Community Charter School of Paterson's Board of Trustees internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended for the information and use of the audit committee, management, the Community Charter School of Paterson Board of Trustees, the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant No. 870



Scott J. Loeffler, CPA  
September 24, 2010

**COMMUNITY CHARTER SCHOOL OF PATERSON**  
**Schedule of Federal Financial Assistance**  
**For the Fiscal Year Ended June 30, 2010**

**EXHIBIT A**

<b>Federal/Grantor Program Title</b>	<b>CFDA/GRANT Project Number</b>	<b>Grant Period</b>	<b>Award Amount</b>	<b>Balance July 1, 2009</b>	<b>Prior Carry over</b>	<b>Cash Received</b>	<b>Budgetary Expenditures</b>	<b>Refund of Prior Years' Balances</b>	<b>Adjustment</b>	<b>Deferred Revenue/ (Accounts Receivable) June 30, 2010</b>	<b>Due to Grantor at June 30, 2010</b>
<b>Food Subsidy</b>											
Federal School Lunch	10.555	07/01/09-06/30/10	126,527			\$83,814	\$126,527			(42,713)	
Federal Breakfast	10.555	07/01/09-06/30/10	41,205			35,652	41,205			(5,553)	
Special Revenue Fund											
<b>NCLB</b>											
*Title I	84.1	09/01/09-08/31/10	505,018			64,313	374,234			(309,921)	
Title I AARA	ARRA	09/01/09-08/31/10	267,877			0	25,334			(25,334)	
Title IIA	84.367	09/01/09-08/31/10	10,671			0	1,285			(1,285)	
Title IID	84.318	09/01/09-08/31/10	4,269			0	3,000			(3,000)	
Title IV	84.186	09/01/09-08/31/10	5,813			0	941			(941)	
IDEA BASIC	IDEA 10	09/01/09-08/31/10	69,086			42,170	67,325			(25,155)	
IDEA Title VI AARA	IDEA 10	09/01/09-08/31/10	107,711			4,080	62,944			(58,864)	
TITLE I 2008-09	84.1	09/01/08-08/31/09	135,311	(47,395)	1	135,311	87,917			0	
TITLE II A 2008-09	84.367	09/01/08-08/31/09	9,643		(234)	9,643	9,409			0	
TITLE II D 2008-09	84.318	09/01/08-08/31/09	1,696			1,696	1,696			0	
TITLE IV 2008-09	84.186	09/01/08-08/31/09	2,949	(2,901)	1	2,949	49			0	
CADRE START UP GRANT YR 2 OF 3		10/15/08-09/30/09	150,000	20,914	(5,458)	11,717	27,173			0	
CADRE START UP GRANT YR 3 OF 3		10/15/09-09/30/10	6,000			60,000	60,000			0	
Total Special Revenue				(29,382)	(5,690)	331,879	721,307			(424,500)	---
				(\$29,382)	(\$5,690)	\$451,345	\$889,039			(\$472,766)	

\*Major Program

EXHIBIT - B

COMMUNITY CHARTER SCHOOL OF PATERSON  
 Schedule of State Financial Assistance  
 For the Fiscal Year Ended June 30, 2010

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2009</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2010</u>
GENERAL FUND									
TPAF Social Security	96-495034095-032	7/1/09-06/30/10	102,516		102,516	102,516			
On Behalf Pension	96-495034095-032	7/1/09-06/30/10				0			
Charter School Aid - Local *	5120-495/150-360030-60	7/1/09-06/30/10	615,546		615,546	615,546			
Charter School Aid - State *	5120-195/070030-60	7/1/09-06/30/10	5,324,488		5,324,488	5,324,488			
Special Education	5120-195/070030-60	7/1/09-06/30/10	121,462		121,462	121,462			
Non Public Aid	5120-495/050030-60	7/1/09-06/30/10	201,464		201,464	201,464			
Total General Fund				--	6,365,476	6,365,476			
ENTERPRISE FUND									
State School Breakfast	96-100-034-5120-122	7/1/09-06/30/10	5,120		3,764	5,120			(1,356)
State School Lunch	96-100-034-5120-122	7/1/09-06/30/10	3,242	--	2,383	3,242			(859)
Total Enterprise					6,147	8,362			(2,215)
GRAND TOTAL				--	6,371,623	6,373,838			(2,215)

\*Major Program

**COMMUNITY CHARTER SCHOOL OF PATERSON  
FOOTNOTES TO THE SCHEDULE OF AWARDS AND FINANCIAL  
ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of awards and financial assistance present the activity of all federal and state award programs of the Community Charter School of Paterson. The board of trustees is defined in the Notes to the school's general-purpose financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the school's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

**COMMUNITY CHARTER SCHOOL OF PATERSON  
FOOTNOTES TO THE SCHEDULE OF AWARDS AND FINANCIAL  
ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2010**

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ ---	\$6,365,476	\$6,365,476
Special Revenue Fund	721,307	---	721,307
Enterprise Fund	<u>167,731</u>	<u>8,362</u>	<u>176,093</u>
Total Awards and Financial Assistance	<u>\$889,038</u>	<u>\$6,373,838</u>	<u>\$7,262,876</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5. OTHER**

The amount of \$102,516 reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

**COMMUNITY CHARTER SCHOOL OF PATERSON  
COUNTY OF PASSAIC, NEW JERSEY  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
YEAR ENDED JUNE 30, 2010**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statement Section**

Type of auditor’s report issued:		Unqualified	
		<b><u>YES</u></b>	<b><u>NO</u></b>
Internal control over financial reporting:			
Material weakness(es) identified:			<b>X</b>
Significant deficiencies identified not considered to be material weakness(es)?			<b>X</b>
Noncompliance material to financial statements noted?			<b>X</b>

**State Awards**

Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000	
Auditee qualified as low risk auditee:			<b>X</b>
Type of auditor’s report issued:			Unqualified
Internal control over major programs:			
Material weakness(es) identified:			<b>X</b>
Significant deficiencies identified not considered to be material weakness(es)?			<b>X</b>
Type of auditor’s report on compliance for major programs:			Unqualified
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?			<b>X</b>

Identification of major programs:

<b><u>C DFA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
5120-495	Charter School Aid Local and State

**COMMUNITY CHARTER SCHOOL OF PATERSON  
COUNTY OF PASSAIC, NEW JERSEY  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
JUNE 30, 2010**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS (continued)**

**Federal and State Awards Section (continued)**

Identification of Major Programs:

**Federal**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84-1	NCLB – Title I

**State**

<u>Program Number(s)</u>	<u>Name of State Program or Cluster</u>
5120-495	Charter School Aid/State and Local

**COMMUNITY CHARTER SCHOOL OF PATERSON  
COUNTY OF PASSAIC, NEW JERSEY  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
YEAR ENDED JUNE 30, 2010**

**PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**COMMUNITY CHARTER SCHOOL OF PATERSON  
COUNTY OF PASSAIC, NEW JERSEY  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
JUNE 30, 2010**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND  
QUESTIONED COSTS**

No federal and state award findings and questioned costs noted that are required to be reported in accordance of OMB Circular A-133.

**COMMUNITY CHARTER SCHOOL OF PATERSON  
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Status of Prior Year Findings**

No findings were reported for the prior year.